



COMMISSION ON INSURANCE

County of Los Angeles

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William K. Callagy
Michael G. Cheung
Helene S. Lohr, LUTCF
Curren D. Price, Jr.
Patricia Torres
Steven Vicencia

MINUTES

Meeting of November 16, 2005
Kenneth Hahn Hall of Administration, Departments Room 383
500 West Temple Street
Los Angeles, CA 90012

Commissioners Present: Glenn Brown, William Callagy, Michael Cheung, Scott Svonkin and Patricia Torres

Commissioners Absent: Barry Binder, Dan Falcon, Don Lee and Curren Price, Jr.

CALL TO ORDER

Chairman Svonkin called the meeting to order at 10:15 a.m.

APPROVAL OF SEPTEMBER 14, 2005 MEETING MINUTES

On motion of Commissioner Brown, seconded by Commissioner Callagy and unanimously carried, the minutes of September 14, 2005 were approved as submitted.

CHAIRPERSON'S REPORT

Chairman Svonkin commented on a Los Angeles Times article reporting on insurance health coverage that addressed the obligations of insurance companies to offer catastrophic coverage on all lines of property and casualty products; and with premiums adjusted for the severity of local risks (copy on file). In addition, Chairman Svonkin announced the passing of Edward Roybal, former Los Angeles City Councilman and longtime Congressman, and requested that staff forward a letter of condolence to Congresswoman Roybal-Allard.

STAFF REPORT

Staff reported the following:

- A draft TRIA Board Letter and documentation has been submitted to Supervisor Yaroslavsky's office for his support;
- Supervisor Antonovich's letter requesting a study of Workers' Compensation was provided by Commissioner Callagy (copy on file); Chairperson Svonkin will be working with Commissioner Callagy on this issue; and
- Detlof Von Winterseldt, Director, CREATE, USC will not be present today; he has been asked to testify before Congress.

Chairman Svonkin requested staff to create a final draft on the TRIA board letter for his review. Also, in order to avoid the appearance of a conflict of interest, Commissioner Brown has voluntarily chosen not to participate on the Workers' Compensation Committee.

(Commissioner Torres joined the meeting at 10:25 a.m.)

RAND CORP. PRESENTATION ON "TRENDS IN TERRORISM: THREATS TO THE UNITED STATES AND THE FUTURE OF THE TERRORISM RISK INSURANCE ACT" (TRIA); AND "DISTRIBUTION OF LOSSES FROM LARGE TERRORIST ATTACKS UNDER THE TERRORISM RISK INSURANCE ACT".

Chairman Svonkin welcomed Steven Carroll, Senior Economist, Rand Corp.

Steven Carroll presented a brief history on the Federal Terrorism Risk Insurance Act (TRIA) that was enacted following the September 11, 2001 terrorist attack, which covers insurance companies while protecting consumers, and ensures the affordability of property and casualty insurance against terrorist acts. Mr. Carroll summarized a projection of substantial losses incurred and the inability of commercial insurance policies to cover similar 9/11 losses (copy on file).

Rocky Armfield, Manager, Risk Management, CAO, summarized the four policy coverages purchased for the County: **1.** The American International Group Company (AIG) that provides a \$25 million limit coverage subject to a \$50,000 Self Insured Retention (SIR) deductible at a cost of \$325 thousand; **2.** a \$150 million fine arts program policy subject to a \$10,000 SIR deductible that covers county owned objects for a premium of about \$4,000; **3.** excess liability coverage for the health facilities is a \$95 million policy in excess of the first \$5 million SIR deductible provided by AIG for a premium of \$8,000; and **4.** a fiduciary liability policy that covers county employees and the Board of Supervisors with a \$20 million limit subject to a \$150,000 SIR deductible provided by AIG for a premium of \$5,500.

In response to Chairman Svonkin, Mr. Armfield reported that "loss contingency planning" is being conducted by Risk Management and County of Los Angeles Departments in the event of a catastrophic loss to the County's infrastructure, and the TRIA issues are being tracked and their corresponding impact.

The Commission agreed to establish a subcommittee to meet on the issue for further discussion; Mr. Carroll will be contacted for further assistance. Commissioner Brown suggested that Los Angeles area public sector entities could contribute to a long-term savings pool as a contingency against similar 9/11 attacks or form their own specific insurance program.

Chairman Svonkin thanked Mr. Carroll for his very informative presentation.

SUNSET REVIEW

Following review of a draft Sunset Review, and new accomplishments/outcomes to date, on motion of Commissioner Brown, seconded by Commissioner Cheung and unanimously carried, the Commission approved the 2005 Sunset Review Evaluation Form for submittal.

COMMITTEE AND TASK FORCE UPDATES AND PLANNING

- **Workers Compensation**

Commissioner Callagy summarized workers' compensation concerns, and Supervisor Antonovich's request that the Commission address this issue. In response to Chairman Svonkin, Commissioner Callagy will prepare specific questions and parameters for a January 2006 Workers' Compensation hearing, and the Chair agreed to serve on the Workers' Compensation Committee.

PUBLIC COMMENT

There were none.

ADJOURNMENT

There being no further business, on motion of Chairman Svonkin, seconded by Commissioner Torres, and unanimously carried, the meeting was adjourned at 11:33 a.m. in honor of the late Congressman Roybal. His accomplishments and contributions to the City of Los Angeles, County of Los Angeles, and to the State and Federal Government will be long remembered.

ATTENDANCE

Staff

Sandra Barbee, Chief, Commission Services, Executive Office, Board of Supervisors

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Lee Millen, Senior Staff, Commission Services, Executive Office, Board of Supervisors

Gabriel Alexander, Commission Services, Executive Office, Board of Supervisors

Guests

Rocky Armfield, Risk Management, CAO

Steven Carroll, Senior Economist, Rand Corp.